WRITTEN ANSWERS TO STARRED QUESTIONS

Withdrawal of tax exemption on direct and indirect taxes

*189. SHRI S. ANBALAGAN: Will the Minister of FINANCE be pleased to state:

(a) whether Government have proposed to withdraw tax exemptions of both direct and indirect taxes;

(b) if so, the details thereof and the time-frame fixed for the same;

(c) whether Government have conducted any study as to how this proposed withdrawal would affect the interest of middle class, lower middle class and poor people; and

(d) if so, the details thereof including the steps proposed to be taken to protect the interests of these sections of the society after the withdrawal of tax exemptions/concessions?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) and (b) Government reviews all exemptions and deductions from time to time. In the course of such periodic review, those exemptions that have achieved their purpose or have outlived their utility or where the objective conditions have changed are withdrawn, while others are retained. The Government's policy is to broaden the tax base while moving towards moderate tax rates and reducing dispersal in rates. Review of exemptions, however, is an ongoing process, carried out keeping in view the interest of all concerned. As such, no time limit can be fixed for withdrawal of exemptions.

(c) and (d) As far as direct taxes are concerned, the Government proposes to have cost-benefit studies conducted in respect of some of the existing tax exemptions. As part of this process, the impact of withdrawal of such exemptions on all stakeholders would be taken into consideration.

As far as indirect taxes are concerned, studies are being conducted on selected exemptions. The Government seeks the views of trade and industry and general public on the need for continuing or otherwise of various exemptions. Decisions are taken after considering the response of trade and industry and general public to the proposals for withdrawal of exemptions.